

## Discretionary Revenues

	Actual FY 2000-01	Adopted FY 2001-02	Estimated FY 2001-02	Proposed FY 2002-03	Change
<b>General Property Taxes</b>					
Current Levy	\$65,008,896	\$72,061,609	\$71,307,322	\$78,106,701	8.39%
Prior Year's Levy	1,836,221	1,900,000	2,000,000	1,900,000	0.00%
Interest and Penalties	387,980	350,000	400,000	350,000	0.00%
<b>Subtotal</b>	<b>\$67,233,097</b>	<b>\$74,311,609</b>	<b>\$73,707,322</b>	<b>\$80,356,701</b>	<b>8.13%</b>
<b>Other Local Taxes</b>					
Local Option Sales Tax	\$24,956,301	\$26,424,346	\$23,428,721	\$25,105,779	-4.99%
Hotel/Motel Occupancy Tax	1,840,869	1,685,287	1,370,000	1,400,000	-16.93%
<b>Subtotal</b>	<b>\$26,797,170</b>	<b>\$28,109,633</b>	<b>\$24,798,721</b>	<b>\$26,505,779</b>	<b>-5.71%</b>
<b>Licenses and Permits</b>					
Cable TV Franchise Fee	\$1,360,869	\$1,431,945	\$1,516,669	\$1,483,223	3.58%
Business and Professional Licenses	1,460,200	1,642,744	1,701,878	1,957,018	19.13%
Miscellaneous Licenses and Permits	624	500	500	500	0.00%
<b>Subtotal</b>	<b>\$2,821,693</b>	<b>\$3,075,189</b>	<b>\$3,219,047</b>	<b>\$3,440,741</b>	<b>11.89%</b>
<b>Intergovernmental Revenues</b>					
Intangibles Tax Reimbursement	\$0	\$1,537,934	\$1,574,734	\$0	-100.00%
Utility Franchise Tax	7,274,530	7,562,188	3,722,155	7,847,173	3.77%
Gasoline Tax (Powell Bill)	5,390,658	5,606,284	5,773,248	5,448,050	-2.82%
Beer and Wine Tax	737,240	743,697	0	762,289	2.50%
Alcoholic Beverage Control	45,584	45,000	45,000	45,000	0.00%
Tax Exemption Reimbursement	68,213	74,823	0	0	-100.00%
Inventory Tax Reimbursement	2,073,339	2,073,338	1,046,228	0	-100.00%
Payments In Lieu of Taxes	0	113,400	113,400	113,400	0.00%
<b>Subtotal</b>	<b>\$15,589,564</b>	<b>\$17,756,664</b>	<b>\$12,274,765</b>	<b>\$14,215,912</b>	<b>-19.94%</b>
<b>Investment and Rental Income</b>					
Investment Income	\$2,367,063	\$1,935,251	\$1,061,773	\$1,061,773	-45.14%
Interest on Assessments	36,329	40,000	40,000	40,000	0.00%
Rental Income	467,342	470,000	470,000	470,000	0.00%
R-O-W Surcharge	15,000	200,000	200,000	200,000	0.00%
<b>Subtotal</b>	<b>\$2,885,734</b>	<b>\$2,645,251</b>	<b>\$1,771,773</b>	<b>\$1,771,773</b>	<b>-33.02%</b>
<b>Other Revenue</b>					
Sale of Land	\$34,500	\$1,000,000	\$415,500	\$625,000	-37.50%
Sale of Surplus Equipment	218,262	230,000	230,000	230,000	0.00%
Credit Union Overhead	0	7,535	7,535	7,600	0.86%
Street Assessments	313,431	75,000	112,929	75,000	0.00%
Sidewalk Assessments	10,509	0	29,344	15,000	
Certificates of Participation	0	1,432,950	1,432,950	2,120,001	47.95%
Miscellaneous Revenues	243,290	100,000	337,000	100,000	0.00%
<b>Subtotal</b>	<b>\$819,992</b>	<b>\$2,845,485</b>	<b>\$2,565,258</b>	<b>\$3,172,601</b>	<b>11.50%</b>

## Discretionary Revenues

### Transfers from Other Funds

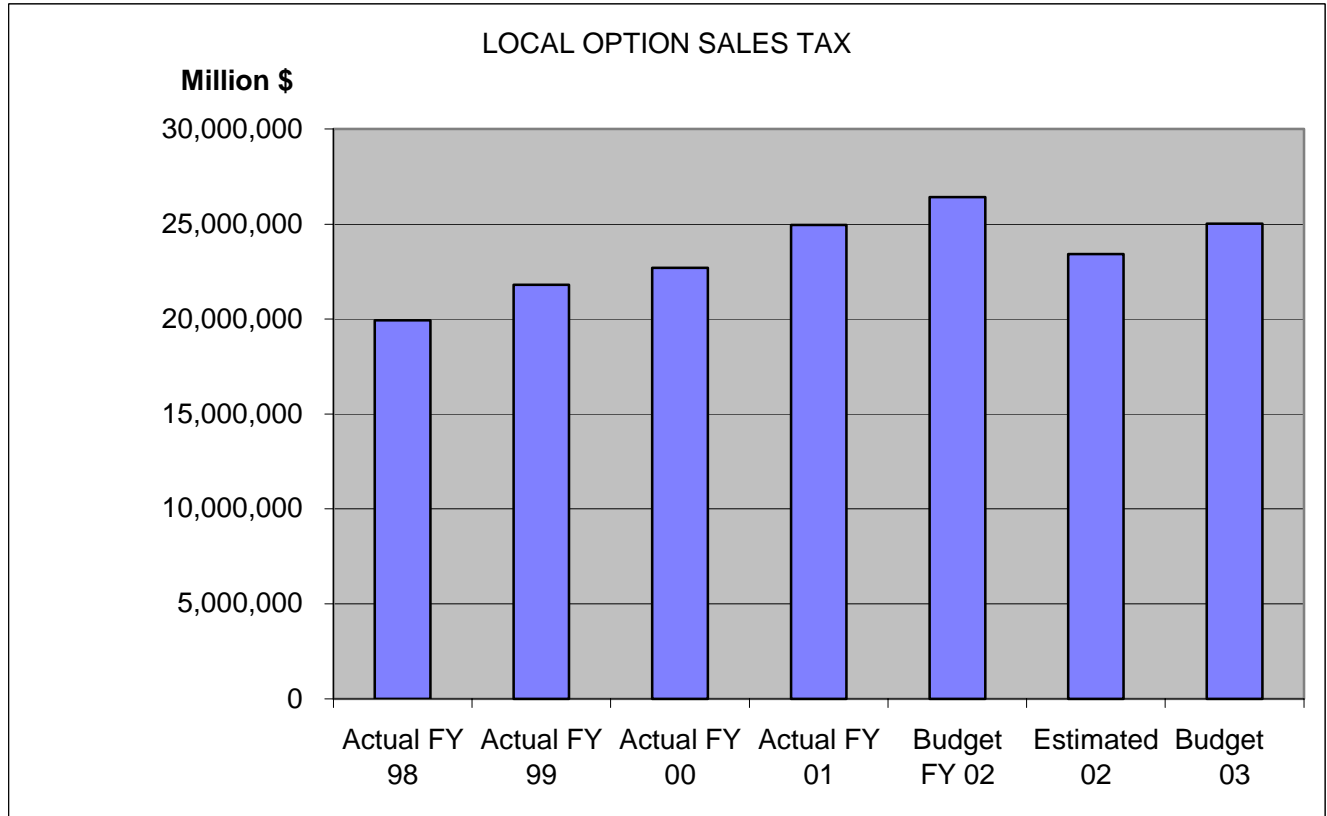
Transfer from Reserves	\$0	\$0	\$4,718,630	\$0	
Transfer from Community Development Fund	47,222	138,169	138,169	151,344	9.54%
Transfer from HOME Fund	0	13,078	13,079	6,393	-51.12%
Transfer from Multi-Jurisdictional Drug Grant	13,000	0	0	0	
Transfer from Employment and Training Fund	0	24,223	24,223	26,350	8.78%
Transfer from Affordable Housing Fund	0	250,000	250,000	0	-100.00%
Transfer from Water and Sewer Fund	2,417,526	2,654,011	2,654,011	3,813,503	43.69%
Transfer from Parking Facilities Fund	0	66,909	66,909	227,968	240.71%
Transfer from Parking Control Fund	72,533	0	0	0	
Transfer from Storm Water Fund	0	705,013	705,013	456,968	-35.18%
Transfer from Civic Center Fund	0	67,177	67,177	72,530	7.97%
Transfer from Ballpark Fund	0	97,218	97,218	58,180	-40.16%
Transfer from Solid Waste Disposal Fund	0	134,262	134,262	171,528	27.76%
Transfer from Transit Fund	0	98,886	98,886	143,228	44.84%
Transfer from Risk Reduction Fund	82,007	0	0	0	
Transfer from Downtown Business Asst Fund	0	0	0	751,015	
<b>Subtotal</b>	<b>\$2,632,288</b>	<b>\$4,248,946</b>	<b>\$8,967,577</b>	<b>\$5,879,007</b>	<b>38.36%</b>
<b>Appropriation from Fund Balance</b>	<b>\$2,746,211</b>	<b>\$2,406,250</b>	<b>\$2,088,996</b>	<b>\$715,000</b>	<b>-70.29%</b>
<b>Total Discretionary Revenues</b>	<b>\$121,525,749</b>	<b>\$135,399,027</b>	<b>\$129,393,459</b>	<b>\$136,057,515</b>	<b>0.49%</b>

## General Fund – Discretionary Revenues

### GENERAL PROPERTY TAXES

The recommended FY 2002-03 Budget for the General Fund is balanced with a tax rate of 54.15 cents per \$100 of assessed valuation, which includes a tax rate increase of 1.6 cents. The property tax rate is established annually during the City budget process. The City's property tax is levied based on 100% of the assessed value of property from the previous January 1 as determined by the Durham County Tax Administrator, whose office both bills and collects property tax. Please refer to Section IV - Budget Summaries for tax base information.

### OTHER LOCAL TAXES



**Sales Tax** - The sales tax is levied on the sale, lease, or rental of all taxable goods and services within Durham County. Purchasers of these goods and services pay the tax. Sales tax is collected by businesses at the time of the sale and then paid periodically to the North Carolina Department of Revenue, Sales and Use Tax Division. The Department of Revenue then remits that portion due to the County and all municipalities in the County based on a per capita formula.

The State levies a 6¢ per dollar retail sales tax on all retail sales except for food purchases to be consumed at home, which is taxed at 2¢ per dollar. Most services and prescription drugs are exempt from sales taxes. The State retains 4¢ for retail (0¢ in the case of food sales) and returns 2¢ to local governments. The sales tax is an important revenue source for the City, representing 16% of General fund revenue for FY 2002-03.

The FY 2001-02 revised estimate represents the full amount of sales tax revenue that the City will receive for FY 2001-02. In FY 2001-02, the revenue derived from the local option sales tax declined by 6.9%. The one-cent component of sales tax that is based on "point of delivery" decreased by 9.4%, compared with the 2.2% decline experienced statewide (which the City receives in two half-cent components).

## **General Fund – Discretionary Revenues**

The FY 2002-03 estimate is calculated on two assumptions: 1) The North Carolina League of Municipalities recommends a growth factor of 1.5% to 2% from FY 2001-02 receipts. This budget projection assumes a 2% increase. 2) After calculating the 2% increase, the effect of retail sales generated by Southpoint Mall is calculated. According to the 2000 report given by the Office of Economic and Employment Development, the retail sales generated by Southpoint Mall after subtracting all retail sales from South Square Mall yields \$1.3 million in local sales tax revenue.

Hotel/Motel Tax - A tax of 6% is levied on hotel/motel rentals in Durham County as authorized by the General Assembly in the 2001 session. Of the first 5%, the City receives 25.5%, Durham County receives 34.5%, and the Durham Convention and Visitors Bureau receives 40%. The last 1% is held by Durham County to pay for arts and cultural projects. The FY 2001-02 revised estimate represents a 18.7% decrease over FY 2000-01, due to the decline in business travel after the September 11, 2001 terrorist attacks. The FY 2002-03 budget is based on estimates from the Durham Convention and Visitors Bureau, representing a 1.5% increase over the FY 2001-02 revised estimate.

### **LICENSES AND PERMITS**

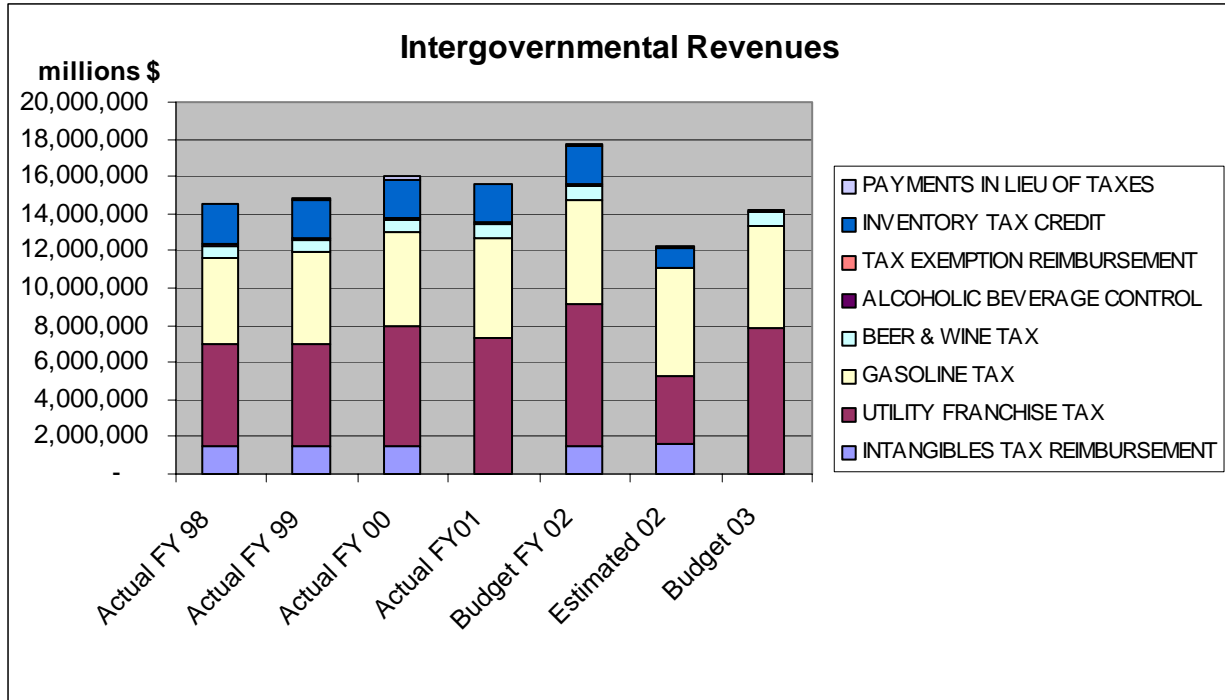
Cable Television Franchise - This revenue is received by the City for administration and coordination of the City's franchise agreement with Time Warner Cable. A 5% surcharge is included on all cable bills issued to customers. Effective with the first payment for FY 2002-03, Time Warner will not include the cost of Internet services in the calculation of the surcharge paid by customers. After excluding the amount of franchise revenue previously received from Internet services, the FY 2002-03 revenue projection assumes an increase of 4% over FY 2000-01 revised estimates.

Business Licenses - Businesses are assessed a fee for the privilege of doing business in the City. The FY 2002-03 budget assumes a 10% increase over the FY 2001-01 revised estimate.

Miscellaneous Licenses and Permits - Minor permits are combined into this miscellaneous category. The budget estimate for FY 2002-03 is consistent with FY 2001-02 revised estimates.

**INTERGOVERNMENTAL REVENUE** - Intergovernmental revenue consists of revenue received by the City from federal, state, and county government in the form of grants, shared revenues, or reimbursements. Charges to other governments for services rendered, such as for interlocal agreements, are not included in this category.

## General Fund – Discretionary Revenues



### State Shared Revenues

- ❖ **Utility Franchise Tax** - The State levies separate taxes on gross receipts of electric, natural gas, and telephone (including cellular) utilities and distributes revenues quarterly. This revenue source is one that the Governor has retained to balance the FY 2001-02 State budget; therefore, the revised estimate for FY 2001-02 reflects the receipt of only two quarterly payments. The Governor has withheld the other two quarterly utility franchise tax payments, which total approximately \$3,971,000. The FY 2002-03 budget assumes the restoration of this revenue at a 2% increase over what the City should have received in FY 2001-02.
- ❖ **Gasoline Tax (Powell Bill)** - The revenue generated from Powell Bill collections is used to support the maintenance of non-State system streets. The City's share is based on population (75%) and local street mileage (25%) relative to those of other municipalities. The revised estimate for FY 2001-02 is the payment that the City received in October 2001. For FY 2002-03, a 5.6% decrease in revenue associated with population and street miles within the current City limits is anticipated over the amount received in October 2001. This decrease is attributable to two factors: the general economic slowdown and the decision by Governor Easley to transfer funds from the State's Highway Trust Fund to the State's General Fund. The State Highway Trust Fund is used to supplement the State Highway Fund in the funding of the Powell Bill distribution. This projection assumes that the proportion of City street miles and population before annexation to street miles and populations of other municipalities remains constant.
- ❖ **Beer and Wine Tax** - The tax on malt beverages and unfortified wines is paid by the final purchaser and is administered by the State. Taxes are distributed to entitled municipalities according to population. This revenue is one that the Governor has retained to balance the FY 2001-02 State budget, so the FY 2001-02 revised estimate assumes that the City will not receive this revenue. The FY 2002-03 budget assumes the restoration of this revenue at a 2.5% increase over what the City should have received in FY 2001-02.
- ❖ **Alcoholic Beverage Control Tax** - The City receives 10 percent of the profit from ABC operations in the County. The revised estimate for FY 2001-02 is from the Durham County ABC Board. There is no growth anticipated in this revenue.

## **General Fund – Discretionary Revenues**

- ❖ **Tax Exemption Reimbursement** - Revenue from this item results from State payment to local governments in the amount of 15 percent of taxes lost through application of the Homestead Exemption. This exemption limits the amount of property taxes paid by elderly residents under a certain income level. The payment is remitted around June 1. This revenue is one that the Governor has retained to balance the FY 2001-02 State budget. The FY 2001-02 revised estimate assumes that the City will not receive this revenue. The FY 2002-03 budget assumes that this revenue will not be restored.
- ❖ **Inventory Tax Credit** - The State reimburses local governments for revenue lost due to the repeal of property taxes on all business inventories effective January 1, 1989. A portion of this revenue (80% retail/wholesale) is distributed within Durham County based on the proportion of tax levy between the City and the County. The remaining 20% of reimbursement is based on a per capita distribution. The City receives one-half of this reimbursement in October and the other half in April. This revenue source is one that the Governor has retained to balance the FY 2001-02 State budget. The revised estimate for FY 2001-02 reflects the receipt of only one semi-annual payment. The Governor has withheld the other payment, which totals approximately \$1,046,000. The FY 2002-03 budget assumes that this revenue will not be restored.
- ❖ **Intangibles Tax Credit** - The intangibles tax, paid by individuals and businesses, was repealed and replaced with a reimbursement fixed at the FY 1994-95 level of intangible tax receipts. Because it is now a reimbursement, this revenue is now categorized as intergovernmental revenue. The reimbursement is distributed to counties and municipalities based on the ad valorem tax levy. This reimbursement is paid in August of each year, and the City accrues it back to the previous fiscal year. The FY 2001-02 revised estimate reflects the reimbursement that was expected in FY 2000-01 but was delayed because the Governor withheld the funds until September 2001. At that point, it could not be accrued to FY 2000-01. This revenue source is one that the Governor has retained to balance the FY 2001-02 State budget; therefore, the revised estimate for FY 2001-02 reflects only the receipt of the FY 2000-01 payment. The Governor has withheld the FY 2001-02 payment, which totals approximately \$1,575,000. The FY 2002-03 budget assumes that this revenue will not be restored.

### Other Agencies

- ❖ **Payments in Lieu of Taxes** - Payments are made by the Durham Housing Authority under a contract with the City based on a percentage of rents less utility costs.

## **INVESTMENT AND RENTAL INCOME**

Investment Income - Revenues into the General Fund do not occur evenly over the fiscal year. Most property tax, for example, is collected during December and January of each year. The Finance Director is authorized to invest these funds in short-term investments. The resulting interest accrued on the invested funds is considered interest revenue for the City.

By resolution of the City Council, all investment income derived from the General Fund is transferred to the Capital Projects Fund, less amounts allocated to the Budget and Management Services and Finance Departments representing activities in these departments associated with capital project and investment income activities. Due to the Governor's actions on state-shared revenues for FY 2001-02 and FY 2002-03, investment income will remain in the General Fund for FY 2002-03.

Interest on Assessments - This item consists of interest charged on street assessments. The FY 2002-03 budget anticipates that interest earned on street assessments will remain at the FY 2001-02 revised estimate.

## **General Fund – Discretionary Revenues**

Rental Income. Fees included here are realized from the rental of caretaker houses and apartments at City parks and community buildings, temporary rental of houses and property acquired for other purposes, and miscellaneous rentals.

Right-of-way Charges. This represents a charge to the Water and Sewer Fund for the use of the City's rights-of-way.

**OTHER REVENUE** - This category is used to record those revenues that are miscellaneous in nature.

Sale of Surplus Land – Periodically the City sells surplus land. The FY 2001-02 revised estimate assumes the sale of two developable parcels at highly visible locations, as well as the sale of several parcels. The FY 2002-03 budget assumes the continuation of identifying and selling surplus land, but none of the remaining parcels are expected to yield significant revenues.

Sale of Surplus Equipment - Periodically the City auctions equipment. The FY 2002-03 budget assumes the same amount of sales volume as was experienced in FY2001-02.

Credit Union Overhead – This revenue represents a General Fund administrative charge to the Credit Union.

Street Assessments - The City assesses properties based upon front footage for streets and sidewalks construction projects. The Engineering Department anticipates decreased levels of activity in FY 2002-03 because street paving work funded with 1996 bonds is coming to a close.

Certificates of Participation. – This represents the proceeds from the issuance of Installment Sales debt (COPS) for purchases of equipment in the General Fund during FY 2001-02 and FY 2002-03. This revenue offsets the capital appropriation for these purchases.

Miscellaneous - Revenues received from various sources unrelated to specific departmental activities are recorded here. Examples of such revenue are administrative fees related to garnishments for child support, charges for City documents, travel advances returned to the City, and payments for damaged City vehicles. The FY 2001-02 estimate assumes a \$100,000 payment from Time-Warner Cable for expenses related to the franchise negotiations.

Transfer from Reserves - Reserved fund balance for carryovers and carryforwards from the previous fiscal year are recorded here.

### **TRANSFER FROM OTHER FUNDS**

The General Fund receives transfers from other funds for indirect costs or for the cost of activities performed in the General Fund. All enterprise and special revenue funds are subject to incur indirect costs. The indirect costs are calculated from the FY 2002 Indirect Cost Plan issued by the Finance Department in February 2002.

### **APPROPRIATION FROM FUND BALANCE**

Revenues from prior years are necessary to balance this budget. For FY 2001-02, it is estimated that \$400,000 can be returned to fund balance to balance the FY 2001-02 budget. Due to the suspension of most of the "pay-as-you-go" program, another \$1 million is projected to be returned to the General Fund. The final year-end figure will depend on actual revenues and expenditures as determined through the City's FY 2001-02 financial audit. For FY 2002-03, \$715,000 is appropriated from fund balance to balance the budget. The City's Fund Balance Policy limits the amount to be appropriated from fund balance to the equivalent of four cents on the tax rate over a two-year budget cycle. The amount included in FY2002-03 represents 0.49 cent.